

MARKETAXESS

2Q15

# CONFERENCE CALL & WEBCAST

July 22, 2015

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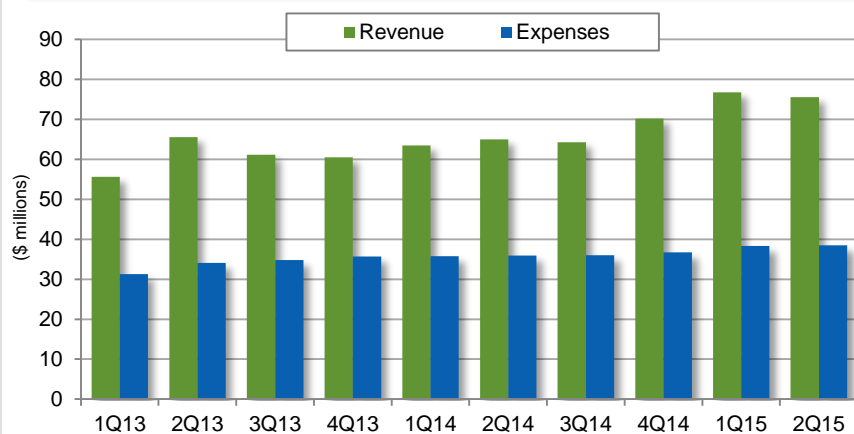
## Earnings

- Revenues of \$75.5 million, up 16.2%
- Expenses of \$38.4 million, up 7.1%
- Pre-tax income of \$37.1 million, up 27.5%
- Diluted EPS of \$0.64, up from \$0.48

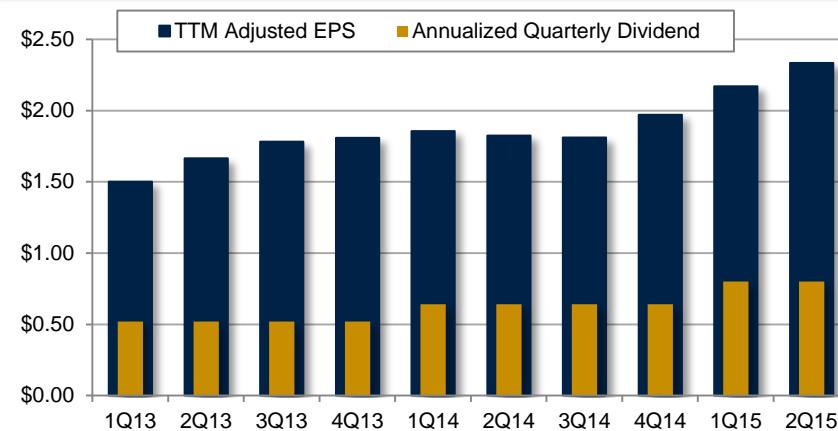
## Business Highlights

- Record quarter for U.S. high-grade, U.S. high-yield and emerging market bond volumes
- Total trading volume up 32%; European client volumes up 44%
- Adjusted estimated U.S. high-grade<sup>2</sup> market share of 17.0%, up from 14.0%
- Open Trading volume and participation reached new records

## Quarterly Revenue and Expense Trend



## Adjusted EPS<sup>3</sup> and Dividend Trend

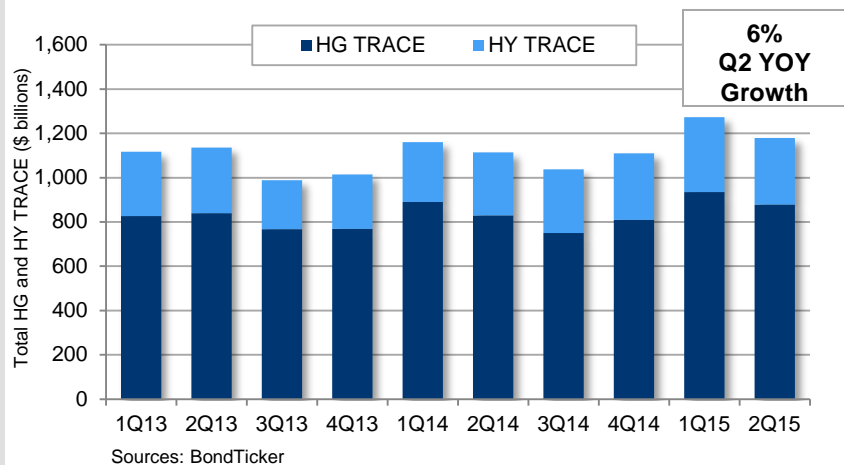


<sup>1</sup> All period comparisons versus 2Q14 unless otherwise stated.

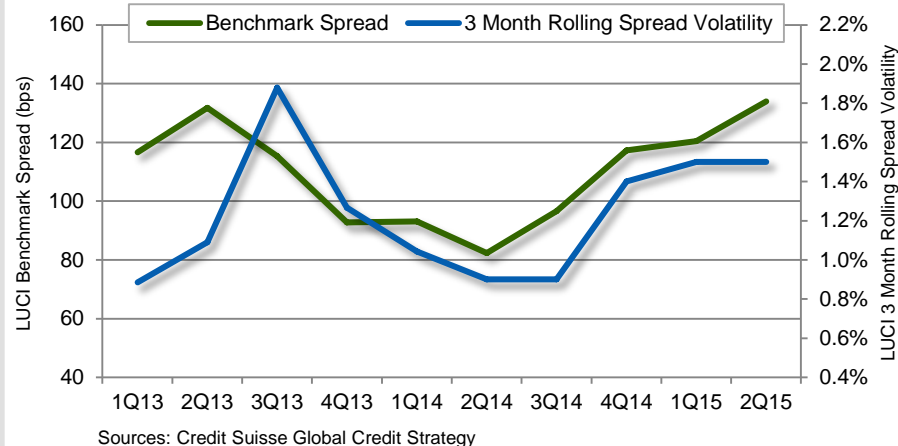
<sup>2</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trade and exclude 144A securities. See Investor Relations-Volume section of Company website.

<sup>3</sup> Adjusted for a one-time favorable tax adjustment in the fourth quarter of 2012.

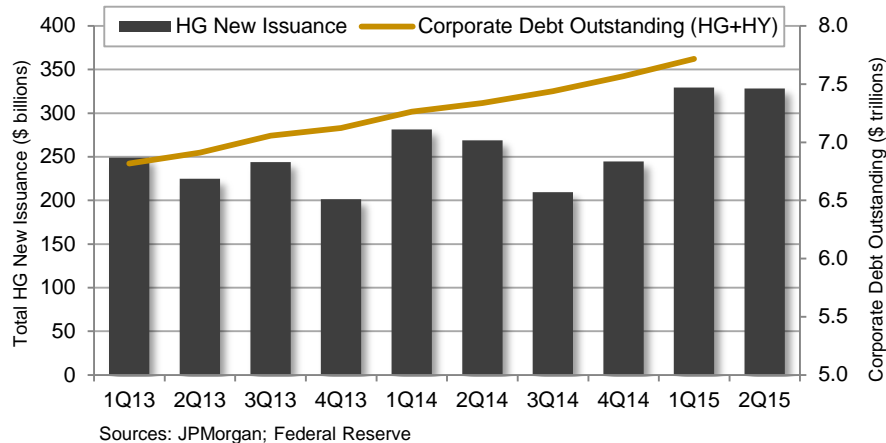
## U.S. High-Grade and High-Yield TRACE<sup>1</sup>



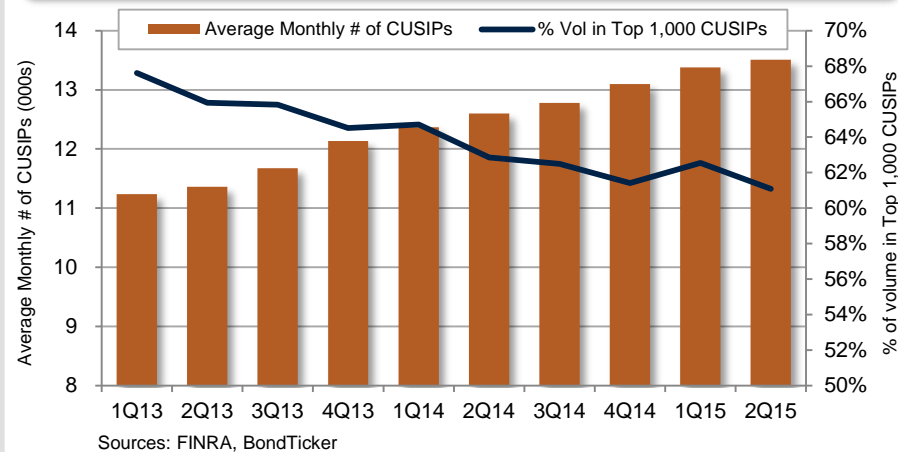
## Liquid U.S. Corporate Index (LUCI)



## New Issuance and Corporate Debt Outstanding

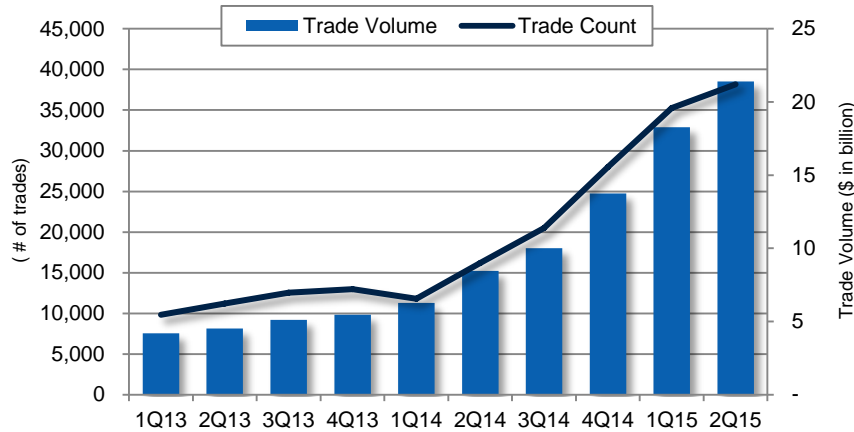


## U.S. HG TRACE CUSIP Count and Concentration (ex 144A)



<sup>1</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trade and exclude 144A securities. See Investor Relations-Volume section of Company website.

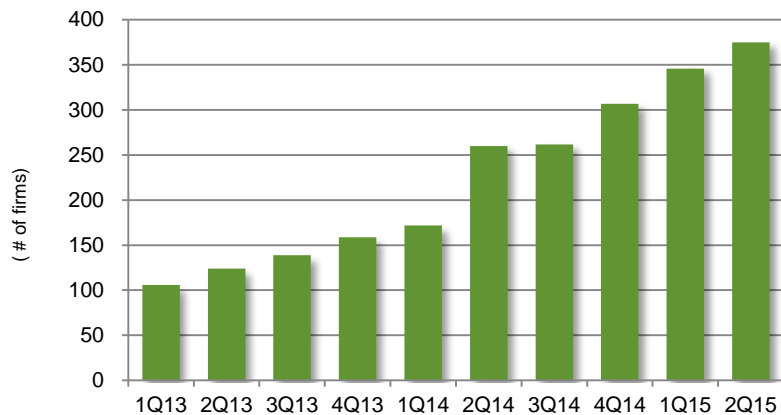
## Open Trading Growth



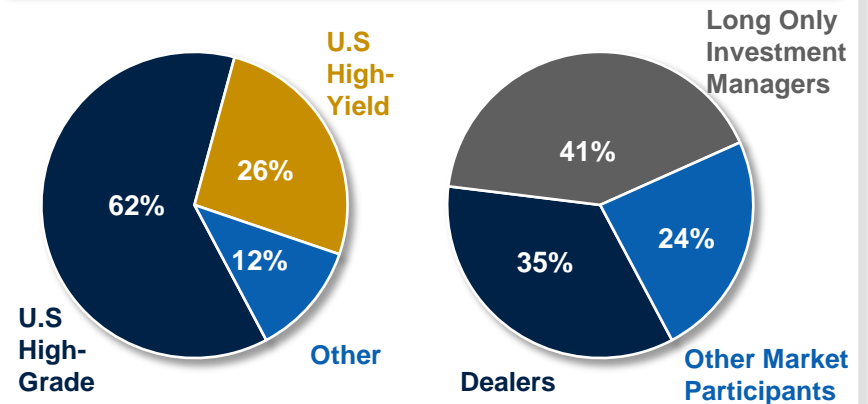
## Highlights

- \$340 million average daily volume, up 149% from 2Q14
- Over 38,000 total Open Trading transactions completed in 2Q15, up from 16,000 in 2Q14
- 375 different firms provided Open Trading liquidity during the quarter, up from 260 in 2Q14
- Average transaction cost savings of approx. 3bp in yield through U.S. high-grade Open Trading
- Over 10% of U.S. trades on MarketAxess now take place via Open Trading protocols

## Open Trading Liquidity Providers



## 2Q15 Market List Trade Count By Product and Client Segment

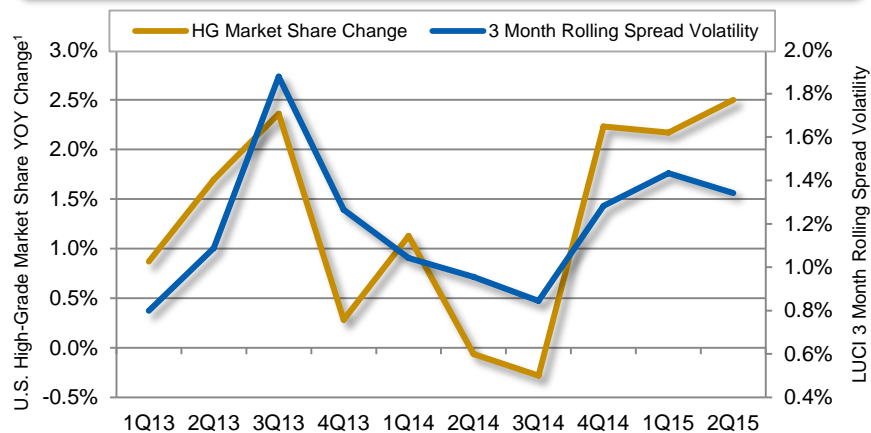


Note: based on 2Q15 trade count of firms winning Market List trades

# U.S. High-Grade Market Share Gains



## YOY Market Share Change<sup>1</sup> vs Volatility

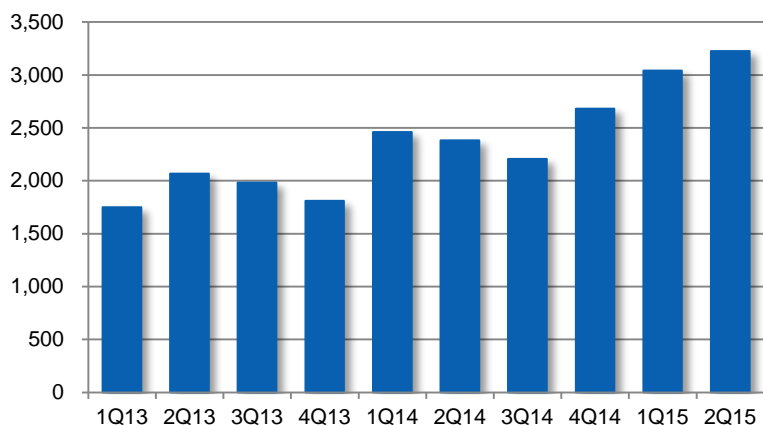


Sources: Bondticker; Credit Suisse Global Credit Strategy

## Regulatory Impact on Liquidity

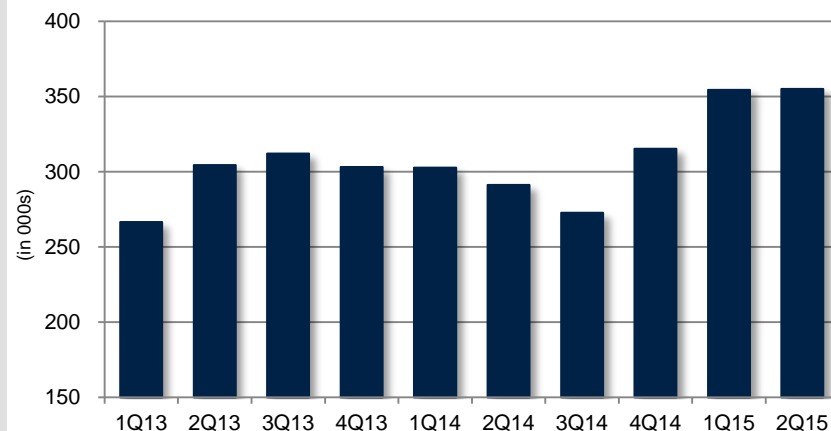
- Volcker Rule compliance requirements begin July 21, 2015, prohibiting proprietary trading for many banking entities
- Basel III, Minimum Liquidity Ratios, SIFI capital requirements and CCAR all having meaningful impact on bank balance sheets
- Investment Managers expected to stress test for portfolio liquidity to meet potential investor redemption requirements

## MKTX Block Trade Count



Note: U.S. high-grade block trades represent trades greater than \$5MM in trade size

## Quarterly U.S. High-Grade Client Inquiry Count

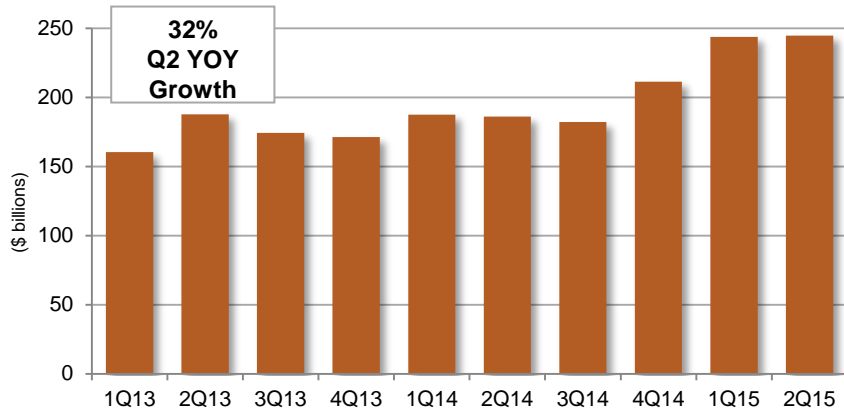


<sup>1</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trade and exclude 144A securities. See Investor Relations-Volume section of Company website.

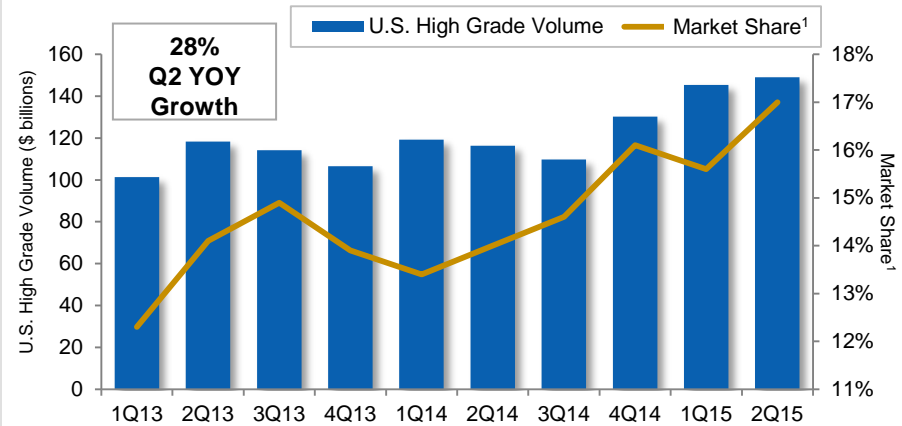
# Quarterly Volume



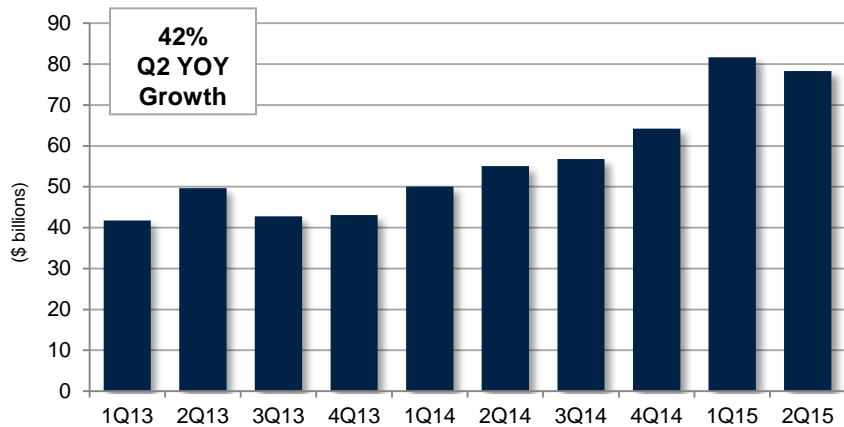
## Global



## U.S. High-Grade

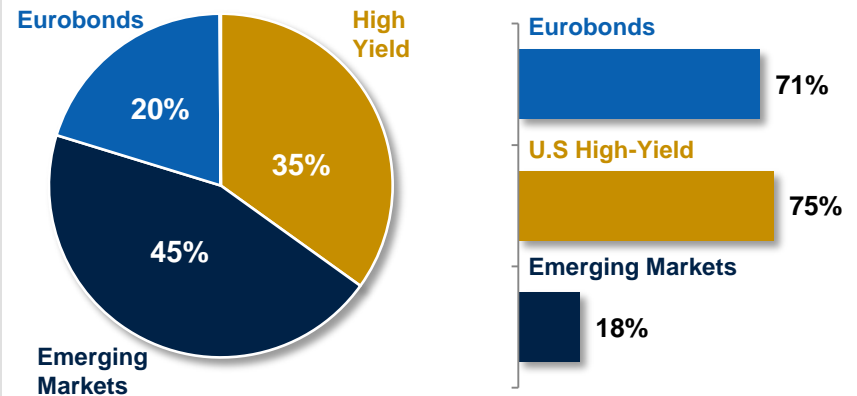


## Other Credit



Note: includes U.S. high-yield, emerging markets, eurobonds and structured products

## 2Q15 Other Credit Volume Breakdown and Growth



<sup>1</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trade and exclude 144A securities. See Investor Relations-Volume section of Company website.

# Earnings Performance



(In thousands, except per share data)

	<u>2Q15</u>	<u>1Q15</u>	<u>2Q14</u>	$\Delta$ <u>2Q15 vs.</u> <u>2Q14</u>
<b>Revenues</b>				
Commissions	\$ 66,412	\$ 67,018	\$ 54,315	22.3%
Information and Post-trade Services	7,632	7,679	7,962	(4.1%)
Technology Products & Services	762	1,420	1,987	(61.7%)
Investment and Other Income	685	654	700	(2.1%)
<b>Total Revenues</b>	<u>75,491</u>	<u>76,771</u>	<u>64,964</u>	16.2%
<b>Expenses</b>	<u>38,432</u>	<u>38,269</u>	<u>35,893</u>	7.1%
<b>Income Before Taxes</b>	<u>37,059</u>	<u>38,502</u>	<u>29,071</u>	27.5%
Provision for Income Taxes	<u>12,821</u>	<u>13,909</u>	<u>10,880</u>	17.8%
<b>Net Income</b>	<u>\$ 24,238</u>	<u>\$ 24,593</u>	<u>\$ 18,191</u>	33.2%
<b>Operating Margin</b>	49.1%	50.2%	44.7%	4.3 pts
<b>EBITDA<sup>1</sup></b>	\$ 41,662	\$ 43,114	\$ 33,422	24.7%
<b>Diluted EPS</b>	\$ 0.64	\$ 0.65	\$ 0.48	\$ 0.16
<b>Diluted Shares<sup>2</sup></b>	37,642	37,626	37,942	(0.8%)

<sup>1</sup> See second quarter 2015 earnings release and the Investor Relations section of the Company's website for reconciliation of net income to EBITDA.

<sup>2</sup> Represents the weighted average number of share of common stock including the dilutive effect of outstanding securities.



# Commission Revenue Detail



(\$ in thousands)		2Q15	1Q15	2Q14	% $\Delta$ 2Q15 vs. 2Q14
<b>Commissions</b>					
Transaction Fees					
U.S. High-Grade		\$ 26,439	\$ 26,887	\$ 20,705	27.7%
Other Credit <sup>1</sup>		23,477	23,753	16,936	38.6%
Liquid Products <sup>2</sup>		690	701	641	7.6%
<b>Total Transaction Fees</b>		<b>50,606</b>	<b>51,341</b>	<b>38,282</b>	<b>32.2%</b>
Distribution Fees					
U.S. High-Grade		14,084	13,950	13,771	2.3%
Other Credit <sup>1</sup>		1,467	1,446	2,042	(28.2%)
Liquid Products <sup>3</sup>		255	281	220	15.9%
<b>Total Distribution Fees</b>		<b>15,806</b>	<b>15,677</b>	<b>16,033</b>	<b>(1.4%)</b>
<b>Total Commissions</b>		<b>\$ 66,412</b>	<b>\$ 67,018</b>	<b>\$ 54,315</b>	<b>22.3%</b>
(\$ in millions)					
<b>Trading Volume</b>					
U.S. High-Grade		\$ 148,963	\$ 145,382	\$ 116,301	28.1%
Other Credit <sup>1</sup>		78,304	81,619	55,011	42.3%
Liquid Products <sup>2</sup>		17,473	16,675	14,725	18.7%
<b>Total Trading Volume</b>		<b>\$ 244,740</b>	<b>\$ 243,676</b>	<b>\$ 186,037</b>	<b>31.6%</b>
<b>Transaction Fees per Million</b>					
U.S. High-Grade		\$ 177	\$ 185	\$ 178	(0.3%)
Other Credit <sup>1</sup>		300	291	308	(2.6%)
Liquid Products <sup>2</sup>		39	42	44	(9.3%)
<b>Total</b>		<b>\$ 207</b>	<b>\$ 211</b>	<b>\$ 206</b>	<b>0.5%</b>

<sup>1</sup> Other Credit includes high-yield, emerging markets, Eurobonds and structured products bonds.

<sup>2</sup> Liquid Products includes U.S. agencies and European government bonds.

<sup>3</sup> Includes CDS SEF-related revenue.

# Expense Detail



(\$ in thousands)

<u>Expenses</u>	<u>2Q15</u>	<u>1Q15</u>	<u>2Q14</u>	<u>% Δ</u> <u>2Q15 vs.</u> <u>2Q14</u>
Employee Comp. and Benefits	\$ 20,593	\$ 21,174	\$ 18,421	11.8%
Depreciation and Amortization	4,603	4,612	4,351	5.8%
Technology and Communications	3,967	4,338	4,449	(10.8%)
Professional and Consulting	3,011	3,282	3,426	(12.1%)
Occupancy	1,232	992	1,102	11.8%
Marketing and Advertising	1,764	1,192	1,800	(2.0%)
General and Administrative	<u>3,262</u>	<u>2,679</u>	<u>2,344</u>	39.2%
<b>Total Expenses</b>	<b><u>\$ 38,432</u></b>	<b><u>\$ 38,269</u></b>	<b><u>\$ 35,893</u></b>	<b>7.1%</b>

# Balance Sheet Data



(\$ in thousands)

	<u>6/30/2015</u>	<u>12/31/2014</u>	<u>% Δ vs. 12/31/2014</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 169,263	\$ 168,924	0.2%
Securities Available-For-Sale	67,517	64,863	4.1%
Accounts Receivable, net	46,938	33,836	38.7%
All Other Assets	<u>115,228</u>	<u>112,261</u>	2.6%
<b>Total Assets</b>	<b><u>\$ 398,946</u></b>	<b><u>\$ 379,884</u></b>	<b>5.0%</b>
<u>Liabilities and Stockholders' Equity</u>			
Total Liabilities	\$ 39,089	\$ 45,676	(14.4%)
Total Stockholders' Equity	<u>359,857</u>	<u>334,208</u>	7.7%
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 398,946</u></b>	<b><u>\$ 379,884</u></b>	<b>5.0%</b>

- **Cash, Cash Equivalents & Securities Available-For-Sale represented \$6.29 per share on a diluted basis as of 6/30/15**
- **Total Shareholders' Equity was \$9.56 per share on a diluted basis as of 6/30/15**

- **Record trading volume across U.S. high-grade, high-yield and emerging market bonds**
- **Increased momentum in market share gains**
- **Regulatory obligations reinforcing the need for new liquidity solutions**
- **Open Trading volume and participation reached new records**

